

**FOURTH WARD WATERWORKS ASSOCIATION, INC.
ALBANY, LOUISIANA**

ANNUAL FINANCIAL STATEMENTS

**As of December 31, 2011 and for the Year Then Ended
With Supplemental Information Schedules**

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate at the office of the parish clerk of court.

Release Date **SEP 19 2012**

**PHIL HEBERT
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL ACCOUNTING CORPORATION**

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

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December 31, 2011**

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MEMBER
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MEMBER
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Independent Auditor's Report

Board of Directors
Fourth Ward Waterworks Association, Inc
P.O. Box 623
Albany, Louisiana 70711

I have audited the accompanying statement of financial position of Fourth Ward Waterworks Association, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fourth Ward Waterworks Association, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fourth Ward Waterworks Association, Inc as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 15 through 19 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

In accordance with *Government Auditing Standards*, I have also issued my report dated August 9, 2012, on my consideration of Fourth Ward Waterworks Association, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Phil Hebert

Phil Hebert, CPA

A Professional Accounting Corporation

August 9, 2012

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

Statement A

**Statement of Financial Position
December 31, 2011**

Assets

Current Assets:

Cash & Cash Equivalents	\$ 287,432
Certificate of Deposit	154,672
Inventory	11,087
Accounts Receivable, Net	56,235
Accrued Billings	12,317
Prepaid Insurance	9,909
Total Current Assets	<u>531,652</u>

Restricted Assets:

Restricted Cash and Cash Equivalents	<u>257,253</u>
Total Restricted Cash and Cash Equivalents	<u>257,253</u>

Property, Plant & Equipment:

Land	23,476
Capital Assets, Net	<u>2,850,311</u>
Total Property, Plant & Equipment	<u>2,873,787</u>

Other Assets:

Bond Issuance Cost	<u>22,800</u>
Total Other Assets	<u>22,800</u>

Total Assets	\$ <u>3,685,492</u>
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(Continued)

The accompanying notes are an integral part of this statement.

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

Statement A

**Statement of Financial Position
December 31, 2011**

Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 2,932
Payroll Liabilities	4,336
Note Payable - Current Portion	56,913
Construction Payable	82,859
Total Current Liabilities	<u>147,040</u>

Noncurrent Liabilities:

Customer Deposits Payable	51,650
Note Payable - Long Term	1,153,316
Total Noncurrent Liabilities	<u>1,204,966</u>
Total Liabilities	<u>1,352,006</u>

Net Assets:

Unrestricted Net Assets	2,333,486
Total Net Assets	<u>2,333,486</u>
Total Liabilities and Net Assets	<u>\$ 3,685,492</u>

(Concluded)

The accompanying notes are an integral part of this statement

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

Statement B

**Statement of Activities
For the Year Ended December 31, 2011**

Operating Revenues:	<u>Unrestricted</u>
Water Sales	\$ 419,826
Miscellaneous Income	41,747
Total Operating Revenues	<u>461,573</u>
 Operating Expenses:	
Accounting	2,406
Advertising	143
Amortization	1,200
Auto Expense	382
Bad Debts	4,561
Bank Charges	491
Depreciation	69,988
Dues	446
Electricity	13,391
Inspection Fee	1,325
Insurance	15,665
Professional	5,164
Licenses	5
Mileage	453
Office Supplies	2,869
Outside Services	150
Per Diem, Board Members	3,000
Postage	5,089
Repairs & Maintenance	2,347
Retirement	2,785
Safe Drinking Water Fees	3,591
Salaries	139,235
Taxes, Payroll	10,685

(Continued)

The accompanying notes are an integral part of this statement

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

Statement B

**Statement of Activities
For the Year Ended December 31, 2011**

Telephone	\$ 2,608
Travel	2,191
Utilities	1,558
Water System Supplies	10,383
Water Treatment	24,833
Total Operating Expenses	<u>326,944</u>
 Operating Income	 134,629
 Non-Operating Revenues	
Interest Income	\$ <u>2,642</u>
Total Non-Operating Revenues	<u>2,642</u>
 Change in Net Assets	 137,271
 Unrestricted Net Assets, Beginning	 2,246,215
Prior Period Adjustment, Note 8	(50,000)
Unrestricted Net Assets, Ending	<u>\$ 2,333,486</u>

(Concluded)

The accompanying notes are an integral part of this statement

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

Statement C

**Statement of Cash Flows
For the Year Ended December 31, 2011**

Cash Flows From Operating Activities

Received from Customers	\$ 444,417
Payments for Operations	(83,551)
Payments for Employees	(149,419)
Net Cash Provided by Operating Activities	<u>211,447</u>

Cash Flows From Investing Activities

Payments for Equipment	(39,783)
Payments for 2011 System Improvements	(1,101,990)
Purchase of Certificate of Deposit	(154,672)
Receipt of Interest	2,642
Net Cash (Used) by Capital Activities	<u>(1,293,803)</u>

Cash Flows From Financing Activities

Proceeds from Bonds Payable	1,224,000
Repayment of Debt Principal	(13,771)
Payments for Bond Issuance Cost	(24,000)
Net Cash Provided by Investing Activities	<u>1,186,229</u>

Net Increase in Cash	103,873
Cash and Cash Equivalents, Beginning of Year	<u>440,812</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 544,685</u></u>

Reconciliation of Cash and Cash Equivalents to Statement of Financial Position:

Cash and Cash Equivalents, Unrestricted	\$ 287,432
Cash and Cash Equivalents, Restricted	257,253
Total Cash and Cash Equivalents	<u><u>\$ 544,685</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

Statement C

**Statement of Cash Flows
For the Year Ended December 31, 2011**

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	\$ 134,629
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization	1,200
Depreciation	69,988
(Increase) Decrease in Accounts Receivable	(14,807)
(Increase) Decrease in Accrued Billings	(2,349)
(Increase) Decrease in Inventory	13,913
(Increase) Decrease in Prepaid Insurance	2,722
Increase (Decrease) in Accounts Payable	1,214
Increase (Decrease) in Customer Deposits Payable	1,650
Increase (Decrease) in Accrued Expenses	3,287
Net Cash Provided by Operating Activities	<u>\$ 211,447</u>

(Concluded)

The accompanying notes are an integral part of this statement.

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2011

Business Organization

Fourth Ward Waterworks Association, Inc (The Association) is a non-profit corporation of the State of Louisiana serving the water service needs of its members. The Association was incorporated in 1969, and is supported primarily by fees paid by members for water services. The service limits for the Association are within Livingston Parish from the village limits of Albany, bounded on the north by St. Helena Parish, on the east by Tangipahoa Parish and on the west by the Tickfaw River. The Association currently serves 1,280 members.

1. Significant Accounting Policies

A. Basis of Presentation

The Association is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

B. Basis Accounting

The financial statements of Fourth Ward Waterworks Association, Inc. have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

C. Cash and Cash Equivalents

Cash includes amounts in demand deposits, time deposits and money market accounts. For purposes of the Statement of Cash Flows, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

D. Investments

The Association maintains investments in the Louisiana Asset Management Pool (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of Louisiana to operate as a local government investment pool. LAMP invests its assets only in securities and other obligations permissible under Louisiana law for local governments. Investments in LAMP are highly liquid and are considered to be cash equivalents. The Association also maintains an investment in a certificate of deposit with an initial maturity of more than 90 days.

E. Inventories

Inventories of water system supplies are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2011

F. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. At December 31, 2011, the amount of prepaid insurance totaled \$9,909

G. Property, Plant and Equipment

Property, plant, and equipment are stated at cost or fair value at date of donation. The Association has not adopted a formal capitalization policy. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 Years
Machinery and Equipment	5 - 7 Years
Water Systems	40 Years

Renewals or improvements which extend the useful lives of assets are capitalized at cost. Maintenance and repairs are included as expenses in the statement of activities.

H. Compensated Absences

At December 31, 2011, the Association did not have employees that accumulate or vest benefits.

I. Income Taxes

The Association is exempt from Federal Income Taxes under Section 501 (C) (12) of the Internal Revenue Code.

J. Use of Estimates

The preparation of financial statements in conformance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Interest Capitalization

Interest costs are capitalized during the period of construction in which interest is being incurred. The amount of interest capitalized for 2011 is \$47,317.

Fourth Ward Waterworks Association, Inc.
Albany, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2011

L. Restricted Cash

Customer security deposits and unspent bond proceeds are classified as restricted cash. Certain resources set aside for the repayment of the notes payable are classified as restricted assets because their use is limited by applicable bond covenants.

M. Change in Accounting Principle

The Association changed its method of accounting from recognizing customer deposits as revenue to a noncurrent liability. Since the customer deposits may be returned in the future, management believes it is practicable to recognize customer deposits as a noncurrent liability. The change was applied retrospectively to 2010. The net effect of the change was an increase in liabilities by \$50,000 and a decrease in net assets by \$50,000.

2. Cash and Cash Equivalents

At December 31, 2011, the Association had cash and cash equivalents totaling \$544,685 (book balances) as follows.

Demand Deposits	\$ 442,090
Money Market	30,847
Louisiana Asset Management Pool	71,748
Total Cash and Cash Equivalents	<u>\$ 544,685</u>

3. Investments

Investments held at December 31, 2011 consist of \$71,748 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. LAMP is administered by the Louisiana Asset Management Pool, Inc., a non-profit corporation organized under the laws of the State of Louisiana. The primary objective of LAMP is to provide a safe environment for the placement of funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955.

At December 31, 2011 the Association's certificate of deposit was reported separate from cash because the original maturity was more than 90 days. The fair value of the certificate of deposit at December 31, 2011 was \$154,672.

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Notes to the Financial Statements
For the Year Ended December 31, 2011**

4. Inventories

At December 31, 2011, the Association had inventories consisting of the following

Water System Supplies	\$ 11,087
Total	<u>\$ 11,087</u>

5. Receivables

The following is a summary of receivables at December 31, 2011

Accounts	\$ 60,118
Accrued Billings	12,317
Allowance for Bad Debt	<u>(3,883)</u>
Net Accounts Receivable	<u>\$ 68,552</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Uncollectible accounts are written off against accounts receivable, when determined by the manager to be uncollectible. For the fiscal year ending December 31, 2011, the Association recorded Bad Debts of \$4,561

Estimated unbilled receivables are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. Estimated unbilled receivables at fiscal year-end totaled \$12,317

The maximum loss due to credit risk that Fourth Ward Waterworks would incur if all parties to the accounts receivable failed to perform according to the terms of their agreement would be \$68,552.

The Association does not require collateral from its customers. The Association requires a security deposit of \$75

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Notes to the Financial Statements
For the Year Ended December 31, 2011**

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2011 is as follows

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
Capital Assets				
Land	\$ 23,476	\$ -	\$ -	\$ 23,476
Building	19,637	-	-	19,637
Equipment & Furniture	44,492	39,783	-	84,275
Water distribution system	2,551,495	1,287,423	-	3,838,918
Total Capital Assets in Service	2,639,100	1,327,206	-	3,966,306
Construction in Progress	102,574	1,184,849	(1,287,423)	-
Total Capital Assets	2,741,674	2,512,055	(1,287,423)	3,966,306
Less Accumulated Depreciation	(1,022,531)	(69,988)	-	(1,092,519)
Total Capital Assets, Net	<u>\$ 1,719,143</u>	<u>\$ 2,442,067</u>	<u>\$ (1,287,423)</u>	<u>\$ 2,873,787</u>

During the fiscal year ending December 31, 2011, capital assets placed in service increased by \$1,327,206. The construction of a 250,000 gallon ground storage tank and the construction of a water well became operational in November 2011. Depreciation expense for the fiscal year ending December 31, 2011, totaled \$69,988.

7. Pension Plan

The Fourth Ward Waterworks Association, Inc participates in a Simple IRA Retirement Plan administered by Wachovia Company. The Association makes a contribution of two (2) percent of all employees' annual income. At December 31, 2011, the association recorded retirement expense of \$2,785.

8. Related Parties Disclosure

During the fiscal year ending December 31, 2011, two members of the Board of Directors were employed by the Association. Sid Kinchen serves as Board President and Manager for the Association. Kenneth Purvis serves as a Board Member and maintenance worker for the Association. Also the utility billing for the Association is performed by Board President, Sid Kinchen's spouse. The total payments for her services were \$12,234. See the Schedule of Entity Officials for the compensation paid to the Board President and Mr. Purvis.

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Notes to the Financial Statements
For the Year Ended December 31, 2011**

9. Notes Payable

The Association entered into a loan agreement with the Louisiana Local Government Environment Facilities and Community Development Authority. On February 25, 2011 the Association borrowed \$1,224,000 in "Revenue Bonds Series 2011." The interest rate is at 5.699% and final maturity is on February 1, 2026.

	Original Amount	Payments	Balance December 31, 2011	Due Within One Year
Series 2011	\$ <u>1,224,000</u>	\$ <u>13,771</u>	\$ <u>1,210,229</u>	\$ <u>56,913</u>

The debt service requirements to maturity for the Revenue Bonds Series 2011 are as follows:

Year Ending December 31	Principle	Interest	Total
2012	\$ 56,913	\$ 67,548	\$ 124,461
2013	60,215	64,246	124,461
2014	63,709	60,752	124,461
2015	67,406	57,055	124,461
2016	71,317	53,144	124,461
2017-2021	423,675	198,633	622,308
2022-2026	466,994	61,932	528,926
	\$ <u>1,210,229</u>	\$ <u>563,310</u>	\$ <u>1,773,539</u>

10. Prior Period Adjustment

A prior period adjustment was made of \$50,000 in the year ending December 31, 2010 to reclassify customer deposits as a noncurrent liability. Management has changed its accounting method since customer deposits may be returned to the customers in the future.

11. Subsequent Event

Management has evaluated subsequent events through August 9, 2012, the date which the financial statements were available to be issued.

Supplementary Information

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Schedule of Entity Officials
December 31, 2011**

<u>Board of Directors</u>	<u>Per Diem Payments</u>	<u>Salary Payments</u>	<u>Total Payments</u>	<u>Term Expires</u>
Sid Kinchen, President P.O. Box 1883 Albany, LA 70711 Phone: 225-567-1101	\$ 600	\$ 52,764	\$ 53,364	\$ 12/31/13
Eddie Wagner, Vice-President 32290 Pea Ridge Rd Albany, LA 70711 Phone: 225-567-2524	\$ 600	\$ -	\$ 600	\$ 12/31/14
Johnnie Johnson, Treasurer 28873 LA 40 Independence, LA 70443 Phone: 985-878-9746	\$ 600	\$ -	\$ 600	\$ 12/31/13
Jody Purvis, Secretary 27831 Horseshoe Rd N. Independence, LA 70443 Phone: 985-878-8650	\$ 600	\$ -	\$ 600	\$ 12/31/12
Kenneth Purvis, Board Member 27944 Purvis Rd Independence, LA 70443 Phone: 985-878-6116	\$ 600	\$ 32,980	\$ 33,580	\$ 12/31/14

See Auditor's Report

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Schedule of Water Rates and Water Customers
December 31, 2011**

	<u>Usage</u>	<u>Rate</u>
Residential Water Rates:	0 - 2,000 gallons	\$15 00 flat rate
	Over 2,000 gallons	\$2 50 per 1,000 gallons
Residential Customers:	1,280 customers	

See Auditor's Report

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Schedule of Insurance
December 31, 2011**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Limit of Insurance</u>	<u>Period</u>
Arch Insurance Company Policy No GWPK0009806	<u>Property and Inland Marine</u>		01/01/11-01/01/12
	Covered Property		
	Above ground Piping	\$100,000	Per Occurrence
	Above and Below ground Penstock	\$100,000	Per Occurrence
	Communication Equipment	\$100,000	Per Occurrence
	Computer Equip & Electronic Media	\$100,000	Per Occurrence
	Fine Arts	\$5,000	Per Occurrence
	Mobile Equipment (Non - Owned)	\$100,000	Per Occurrence
	Outdoor Property Including Signs	\$100,000	Per Occurrence
	Paved Surfaces	\$100,000	Per Occurrence
	Property in the Course of Constructor	\$100,000	Per Occurrence
	Real & Personal Property (of others)	\$100,000	Per Occurrence
	Trees, Shrubs, and Landscaping	\$1,000	Per Occurrence
	No more than \$1,000 any one tree, shrub or landscape planting		
	Underground Piping (Within 100 Ft.)	\$100,000	Per Occurrence
	Valuable Papers & Records	\$100,000	Per Occurrence
	Coverage Extensions		
	Accounts Receivable	\$100,000	Per Occurrence
	Ammonia Contamination	\$100,000	Per Occurrence
	Arson & Crime Reward	\$10,000	Per Occurrence
	Bridges	\$1,000	Per Occurrence
	Collapse	Included in Policy Limit of Insurance	
	Debris Removal	\$25,000	Per Occurrence
	Demolition & Inc Cost of Const	\$100,000	Per Occurrence
	Expediting Expenses	\$100,000	Per Occurrence
	Extra Expense	\$100,000	Per Occurrence
	Fire Department Service Charge	\$25,000	Per Occurrence
	Loss of Income	\$100,000	Per Occurrence
	Pollutant Clean Up & Removal	\$25,000	Per 12 Months
	Preservation of Property	\$100,000	Per Occurrence
	Rental Value	\$100,000	Per Occurrence
	Utility Interruption	\$100,000	Per Occurrence
	Vacant Buildings	\$100,000	Per Occurrence

(Continued)

See Auditor's Report

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Schedule of Insurance
December 31, 2011**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Limit of Insurance</u>	<u>Period</u>
	<u>Crime Coverage</u>		
	Employee Dishonesty	\$100,000	
	Forgery or Alteration	\$100,000	
	Theft, Disappearance & Destruction		
	Inside	\$25,000	
	Outside	\$25,000	
	Computer Fraud	\$50,000	
	<u>General Liability</u>		01/01/11-01/01/12
	<u>Commercial Liability</u>		
	Each Occurrence		
	Damage to Rented Premises	\$100,000	
	Personal & Advertising Injury	\$1,000,000	Per Person
	Personal & Advertising Injury	\$3,000,000	Aggregate
	Bodily Injury & Property Damage	\$1,000,000	Per Occurrence
	Bodily Injury & Property Damage	\$3,000,000	Aggregate
	<u>Automobile Liability</u>		01/01/11-01/01/12
	Combined single limit (each accident)	\$1,000,000	
Louisiana Workers Compensation Corp Policy # 7678 - A	<u>Workers Compensation</u>	Statutory Limits	01/04/11-01/04/12
	Each Accident	\$100,000	
	Disease - Each employee	\$100,000	
	Disease - Policy limit	\$500,000	
Travelers Policy # 105527815	<u>Directors' and Officer's Liability</u>		01/01/11-01/01/12
	Each Occurrence	\$1,000,000	
	Aggregate	\$1,000,000	

(Concluded)
See Auditor's Report.

MEMBER
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Phil Hebert, CPA
A PROFESSIONAL ACCOUNTING CORPORATION
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MEMBER
Society of Louisiana
Certified Public
Accountants

**Report on Internal Control Over Financial Reporting and on Compliance
And Other Matters Based on an Audit of Financial Statements Performed
In Accordance With Government Auditing Standards**

Board of Directors
Fourth Ward Waterworks Association, Inc
P.O. Box 623
Albany, Louisiana 70711

I have audited the financial statements of Fourth Ward Waterworks Association, Inc. (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued my report thereon dated August 9, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

Management of Fourth Ward Waterworks Association, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Fourth Ward Waterworks Association, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fourth Ward Waterworks Association, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Fourth Ward Waterworks Association, Inc.'s internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Year Findings and Responses, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the following deficiencies in the accompanying Schedule of Current Year Findings and Responses to be material weaknesses. See finding 2011-1 through 2011-5

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fourth Ward Waterworks Association's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Year Findings and Responses as item 2011-6.

Fourth Ward Waterworks Association, Inc.'s response to the findings identified in my audit is described in the accompanying Schedule of Current Year Findings and Responses. I did not audit Fourth Ward Waterworks Association, Inc.'s response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, and the Office of the Legislative Auditor, State of Louisiana, and federal awarding agencies and passes through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
August 9, 2012

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2011**

Section I Internal Control and Compliance Material to the Financial Statements

2010-1 Lack of Segregation of Duties

The manager and the billing clerk are the sole employees involved in recording, processing, summarizing, and reporting the Association's financial data.

An adequate system of internal control requires an appropriate segregation of duties consistent with control objectives. This deficiency could adversely affect the entity's ability to record, process, summarize and report financial data consistent with management's objectives

Unresolved: See 2011-1

2010-2 Accountant Cannot Prepare Financial Statements

The Association's job description does not require the Association's accountant to be able to prepare financial statements under generally accepted accounting principles.

Unresolved: See 2011-2

2010-3 Lack of Physical Inventory of Supplies or Procedures

During my audit, I noted the Association took a physical inventory of supplies in September 2010, but did not take a physical inventory of supplies at year end.

Resolved:

2010-4 Charge off of Non Collectible Accounts

During my audit I noted that the charge off of non-collectible accounts was not approved by the board in an open meeting. The charge off of non-collectible accounts as well as credit and debit memo's should be approved by the board in an open meeting.

Resolved

Continued

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2011**

Section II Internal Control and Compliance Material to Federal Awards

Not applicable

Section III Management Letter

Not applicable

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Schedule of Current Year Findings and Responses
December 31, 2011**

I have audited the basic financial statements of Fourth Ward Waterworks Association, Inc. as of and for the year ended December 31, 2011, and have issued my report thereon dated August 9, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2011 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses, Yes Significant Deficiencies, No

Compliance

Compliance Material to Financial Statements, Yes

b. Federal Awards

Not applicable

Was a management letter issued? No

Internal Control

2011-1 Lack of Segregation of Duties

Condition:

The manager and the billing clerk are the sole employees involved in recording, processing, summarizing, and reporting the Association's financial data.

Recommendation:

I recommend a board member who is not involved in the check writing process review the bank statements and cancelled checks before turning them over to the accountant to prepare the bank reconciliations. Some specific items that management might look for are missing checks, checks issued out of sequence, unknown payees, checks that appear to have been altered, checks not signed by authorized signatories and other unusual items. The board member should initial and date the bank statements as evidence of his review.

Management's Response:

Management will assign a board member who is not involved in the check signing process to review the bank statements. The board member will initial and date the bank statements as part of his review.

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Schedule of Current Year Findings and Responses
December 31, 2011**

2011-2 Accountant Cannot Prepare Financial Statements

Condition:

The Association's job description does not require the Association's accountant to be able to prepare financial statements under generally accepted accounting principles

Recommendation:

I recommend management review the cost benefit of hiring an accountant who has the technical skills to prepare the annual financial statements in conformity with accounting principles generally accepted in the United States of America

Management's Response:

Management will continue to have the auditor assist in drafting the financial statements and footnotes. Management will make all management decisions and perform all management functions relating to the financial statements and related notes.

2011-3 Cut Off Policy

Condition:

The Association's policy is to cut off delinquent accounts when the bill is two months old and over \$50. I noted several accounts whose bill was over \$50 and two months old.

Recommendation:

I recommend management comply with the Association's cut off policy. I also recommend the Association take aggressive action to collect delinquent amounts, including legal action when necessary or the use of a collection agency.

Management's Response:

Management will review the list of delinquent accounts and cut off delinquent accounts according to the Association's policy.

2011-4 Journal Entries

Condition:

Many adjustments are being proposed by the auditor. These entries include reclassification of fixed assets and entries due to miscoding. Failure to record these entries could result in misstatement of the Association's financial statements.

Recommendation:

I recommend the Association's accountant to review the coding of receipts and disbursements on a monthly basis.

**Fourth Ward Waterworks Association, Inc.
Albany, Louisiana**

**Schedule of Current Year Findings and Responses
December 31, 2011**

Management's Response:

The proposed journal entries were reviewed by the Association's accountant and were recorded in the Association's financial statements. The accountant will perform a detailed review of the financial statements before they are released to the auditor.

Compliance

2011-5 Late Filing of Audit Engagement

Criteria:

Section 6.8 of the bond covenant states, "Annually, within 180 days from the end of each fiscal year, the borrower will have made a complete audit of its records and accounts by an independent certified public accountant."

Condition:

The Association did not submit the audit engagement by June 30, 2012

Cause:

The Association was not aware of the bond requirement

Effect:

The Association is not in compliance with the bond covenant.

Recommendation:

I recommend the Board to have its records available in a timely manner so the audit can be completed before the deadline

Management's Response:

Management will make the accounting records available to the auditor in a timely manner so the audit can be completed before the June 30 deadline.